

S  
378.106  
L72BVT  
1979

STATE DOCUMENTS COLLECTION

FEB 23 1981

MONTANA STATE LIBRARY  
930 E Lyndale Ave.  
Helena, Montana 59601

STATE OF MONTANA

BUTTE VOCATIONAL TECHNICAL CENTER

Report on Examination of Financial Statements  
Fiscal Year Ended June 30, 1979

PLEASE RETURN



OFFICE OF THE LEGISLATIVE AUDITOR  
STATE OF MONTANA  
STATE CAPITOL • HELENA

Montana State Library



3 0864 1003 6033 1



STATE OF MONTANA

BUTTE VOCATIONAL TECHNICAL CENTER

Report on Examination of Financial Statements  
Fiscal Year Ended June 30, 1979



## TABLE OF CONTENTS

	<u>Page</u>
Elected and Administrative Officials	iii
Summary of Recommendations	iv
Comments	1
Introduction	1
Background	1
Prior Legislative Issues	3
Program Costs	5
Payroll	7
Compliance	7
Payroll Allocation	8
Instructor Certification	10
Employee Leave	11
Student Tuition	13
Late Deposits	14
Student Contact Hours	15
Sale of Property	18
Reporting Errors	19
Internal Control	20
Pay Calculations	21
Segregation of Duties	22
Student Activity Accounts	23
Plant, Property, and Equipment	24
Scope of Examination and Opinion	26
Financial Statements	
Statement of Assets and Liabilities Arising from Cash Transactions	28

TABLE OF CONTENTS (Continued)

	<u>Page</u>
Statement of Cash Receipts	30
Statement of Cash Disbursements	32
Statement of Changes in Cash Balances	34
Notes to Financial Statements	36
Schedule of Revenues and Disbursements	41
Student Aid Program, Schedule of Changes in Cash Balance	42
Appendix A - Report on Audit of the Basic Educational Opportunity Grant Program for Fiscal Years Ending June 30, 1978 and 1979.	43
Agency Replies:	
Butte Vocational Technical Center	59
Office of Public Instruction	71

ELECTED AND ADMINISTRATIVE OFFICIALS

Office of the Superintendent of Public Instruction

Georgia Ruth Rice      Superintendent of Public Instruction

Dr. Larry Key              Vocational Education Administrator

Butte School District #1  
Board of Trustees

Past Board

Bob Goodman, Chairman  
Phil Burk, Vice Chairman  
Betty Lou Berg  
Dennis Henderson  
Mark Lucich  
Glenda Malloy  
JoAnn McLeod  
Emmett Dolan

Current Board

Mark Lucich, Chairman  
Dennis Henderson,  
    Vice Chairman  
Bob Moodry  
Bob Goodman  
Herb Atkinson  
Bob Fischer  
Emmett Dolan  
Molly Moritz

Administrative Officials School District #1

William C. Milligan

Superintendent

Dr. Gary Steuerwald

Business Manager

Butte Vocational Technical Center

Harry J. Freebourn

Director

Dave Keltz

Assistant Director

## SUMMARY OF RECOMMENDATIONS

As a separate section in the front of each audit report we include a listing of all recommendations together with a notation as to whether the agency concurs or does not concur with each recommendation. This listing serves as a means of summarizing the recommendations contained in the report and the audited agency's reply thereto and also as a ready reference to the supporting comments. The full replies of the Butte Vocational Technical Center and the Office of Public Instruction (OPI) are included in the back of this report.

	<u>Page</u>
1.A. The center report total operating costs in the center's financial statements.	7
<u>Center Reply:</u> Partially concur. See page 60.	
<u>OPI Reply:</u> Concur. See page 72.	
1.B. The center include the revenues and expenditures from all programs in its budget.	7
<u>Center Reply:</u> Partially Concur. See page 61.	
<u>OPI Reply:</u> Concur. See page 72.	
2. The school district pay overtime compensation promptly in compliance with section 39-3-204, MCA.	8
<u>Center Reply:</u> Concur. See page 61.	
<u>OPI Reply:</u> Concur. See page 72.	
3. We recommend that the center properly allocate costs to budget categories.	10
<u>Center Reply:</u> Concur. See page 61.	
<u>OPI Reply:</u> Concur. See page 72.	
4. The center require each instructor to hold a valid Montana teaching certificate endorsed for vocational education.	11
<u>Center Reply:</u> Concur. See page 62.	
<u>OPI Reply:</u> Concur. See page 73.	



SUMMARY OF RECOMMENDATIONS (Continued)

	<u>Page</u>
5. The school district implement leave policies in accordance with state statutes.	13
<u>Center Reply:</u> Concur. See page 63. <u>OPI Reply:</u> Concur. See page 73.	
6. The center promptly deposit all receipts.	15
<u>Center Reply:</u> Concur. See page 65. <u>OPI Reply:</u> Concur. See page 73.	
7. The Center calculate student hours in accordance with OPI policy.	17
<u>Center Reply:</u> Concur. See page 65. <u>OPI Reply:</u> Concur. See page 73.	
8. The Center comply with section 20-6-604, MCA, relating to the sale of personal property.	18
<u>Center Reply:</u> Concur. See page 66. <u>OPI Reply:</u> Concur. See page 73.	
9. The Center institute review procedures to ensure that financial reports submitted to the Office of Public Instruction are accurate.	20
<u>Center Reply:</u> Concur. See page 67. <u>OPI Reply:</u> Concur. See page 74.	
10.A. The school district implement a time recording system that will adequately support payroll amounts.	22
<u>Center Reply:</u> Concur. See page 67. <u>OPI Reply:</u> Concur. See page 74.	
10.B. The school district maintain employee authorizations for payroll deductions on a current basis.	22
<u>Center Reply:</u> Concur. See page 67. <u>OPI Reply:</u> Concur. See page 74.	

## SUMMARY OF RECOMMENDATIONS (Continued)

	<u>Page</u>
10.C. The school district record sick leave accurately.	22
<u>Center Reply:</u> Concur. See page 67.	
<u>OPI Reply:</u> Concur. See page 74.	
11. The Center implement procedures to correct the problems described above.	25
<u>Center Reply:</u> Concur. See page 68.	
<u>OPI Reply:</u> Concur. See page 74.	
APPENDIX A	
The Center consider the beginning fund balance when estimating BEOG cash needs for the next period.	48
<u>Center Reply:</u> Concur. See page 69.	
<u>OPI Reply:</u> Concur. See page 74.	
The Center document internal control procedures and up-date the Financial Aid Handbook on a timely basis.	48
<u>Center Reply:</u> Concur. See page 69.	
<u>OPI Reply:</u> Concur. See page 74.	
The Center require each student to sign an affidavit of educational purpose and this document be placed in the student's BEOG file.	51
<u>Center Reply:</u> Concur. See page 69.	
<u>OPI Reply:</u> Concur. See page 74.	
1. The Center determine if a student owes money to a grant program prior to disbursing a new grant award.	52
<u>Center Reply:</u> Concur. See page 70.	
<u>OPI Reply:</u> Concur. See page 74.	
2. The Center document its refund policy.	52
<u>Center Reply:</u> Concur. See page 70.	
<u>OPI Reply:</u> Concur. See page 74.	

SUMMARY OF RECOMMENDATIONS (Continued)

	<u>Page</u>
The Center make periodic self-evaluations of the BEOG Program and that proper follow-up be made in areas of weakness.	52
<u>Center Reply:</u> Concur. See page 70. <u>OPI Reply:</u> Concur. See page 74.	
The Center obtain periodic audits of the BEOG program.	53
<u>Center Reply:</u> Concur. See page 70. <u>OPI Reply:</u> Concur. See page 74.	



## COMMENTS

### INTRODUCTION

We performed a financial compliance audit of the Butte Vocational-Technical Center at the request of the Legislative Audit Committee.

In October 1977, the Attorney General of the State of Montana ruled that postsecondary vocational-technical centers should be treated as state agencies for auditing purposes. In prior years the center's financial transactions have been audited annually as part of the Butte School District #1 audit. This is the first time the Office of the Legislative Auditor has performed a comprehensive review of the center that includes compliance with state and federal laws, as well as governing board's policies.

The director and staff of the center and the school district have indicated to us that they have already complied with many of the recommendations in the report and that corrective action has been initiated on many of the other recommendations.

We thank the center's director and his staff and the superintendent of schools and his staff for their cooperation and assistance during the audit.

### BACKGROUND

In 1969, the State Board of Public Education, through authorization of the state legislature, created

five postsecondary vocational-technical centers located in Butte, Billings, Helena, Great Falls, and Missoula.

The Butte Center offers training in practical nursing, office, technical, trades and industrial occupations. The following table illustrates the number of students enrolled in the various programs during the 1978-79 school year:

<u>Occupation/Program</u>	<u>Enrollment</u>
Health Occupations	
Practical Nursing	74
Office Occupations	
Clerk-Typist	43
Stenographer-Secretary	19
Legal Secretary	14
Medical Secretary	17
Bookkeeper-Accountant	50
Key Punch Operator	54
Technical Occupations	
Electrical Technology	52
Civil Engineering Technology	18
Trades and Industrial Occupations	
Automotive Mechanics	66
Drafting	27
Machine-Tool Operation	18
Small Engine Repair	20
Welding	52
TOTAL	<u>524</u>

As of September 1979, the center had a full-time equivalent staff of 37.33. The staff is comprised of 23 instructors, a director and assistant director, two counselors, a financial aid/placement officer, eight part-time and full-time clerical support staff and six part-time maintenance employees.



All programs, except practical nursing, are housed in the Vocational-Technical Unit building, located across the street from Butte High. Butte School District No. 1 constructed the building in 1968. Approximately 55 percent of the building houses various educational programs for Butte high school students. The center uses the remaining 45 percent of the building space. The practical nursing program is located at the U.S. Naval Reserve Training Center. The center is not charged rent for use of the buildings at either location (see page 5).

The center is in the process of obtaining approval for the construction of a new facility to be located on a forty acre site, five miles south of Butte. The building site was purchased in 1974, through School District No. 1, with funds appropriated by the Legislature.

#### PRIOR LEGISLATIVE ISSUES

We previously performed audits of the vocational-technical centers located in Helena and Great Falls for the fiscal year ended June 30, 1978. In those reports we discussed the governance of the centers, recommended that legislation be enacted to clarify the authority to charge student fees, and recommended that the centers account for financial activities in accordance with generally accepted accounting principles. Legislation enacted by the Forty-sixth Legislature has resolved

some of the issues noted in the Helena and Great Falls centers' audit reports.

Chapter 598, Montana Session Laws 1979 (House Bill 634) changed the governance of the centers. The Superintendent of Public Instruction is now the governing agent and executive officer of the State of Montana for vocational education. The Superintendent was given the responsibility to adopt and administer policies to effect the orderly development of a system of vocational education.

Chapter 598 also clarified the authority to charge student fees by authorizing the Superintendent of Public Instruction to establish the tuition and fees charged at the centers.

Section 2 of Chapter 598 provided that the state director of vocational education, appointed by the Superintendent of Public Instruction, must formulate and put into effect uniform fiscal, student, staff and program accounting systems for the postsecondary vocational-technical centers. Chapter 682, Montana Session Laws 1979 (House Bill 923) transferred responsibility for custody of postsecondary vocational-technical center money from the County Treasurer to the State Treasurer. As a result of the provisions contained in the aforementioned legislation, the five centers will adopt the Statewide Budgeting and Accounting System (SBAS) July 1, 1980.



Adoption of the SBAS system will resolve many of the problems noted with the centers' accounting systems. Accordingly, in this report we make no recommendations concerning the Butte center's accounting system.

#### PROGRAM COSTS

As explained in Note 7 to the financial statements, the school district annually provides approximately \$53,900 in facilities and services for the center at no cost to the center. These district expenditures include both direct costs of operating the center and indirect administrative and clerical costs, which are allocated on the basis of square footage or estimated hours spent on center related activities. This practice does not disclose total operating costs of the center because these expenditures are reported as district operations in the district's financial statements and are not reported as center expenditures.

This situation is compounded by the provisions of section 20-7-324, MCA. This statute sets forth criteria for maximum budgets for postsecondary vocational-technical centers which must be approved by the Office of Public Instruction. During the audit period, the county commissioners were authorized by statute to levy a tax not to exceed one mill on each dollar of the taxable property, real and personal, within the county for the

support and maintenance of the postsecondary vocational-technical center located within the county.

The \$53,900 in services provided by the district is in addition to the local funding derived from the mill levy noted above. Based on fiscal year 1978-79 district taxable valuation of \$54,640,190, these services represent .98 mills. The local taxpayer is, therefore, supporting the center's operations in excess of one mill. Actual support is almost two mills. Since the value of the services is not included in the budget approved by the Office of Public Instruction, total center program costs exceed the approved budget.

The Office of Public Instruction approved budgeted expenditures of \$805,273 for fiscal year 1978-79. The following table presents additional, "non-budgeted" expenditures incurred by the center during the year.

Butte Vocational-Technical Center  
Non-Budgeted Funds

Book and Supply Fund	\$22,077
Vo-Tech Trade Fair Fund	5,112
Student Aid Program Funds	141,648
	<u>\$168,837</u>

The center could comply with the maximum budget provisions of section 20-7-324, MCA, by including these programs, together with the \$53,900 in operating costs, in the annual budget and in financial reports. This

would provide management with the total financial information necessary to make effective decisions regarding center operations.

#### RECOMMENDATION #1

We recommend that the center:

- A. Report total operating costs in the center's financial statements.
- B. Include the revenues and expenditures from all programs in its budget.

#### PAYROLL

The school district payroll department processes the payroll for the Butte center through the district's payroll system. Instructors and administrators submit time sheets; other employees punch a time clock. The school district maintains leave records for the center's employees.

#### Compliance

The school district payroll is not on the "after the fact" basis. Most employees are paid on the 20th of each month for work through the end of the month. As a result, employees are paid for work which they have not completed. Engineers are paid on the 20th for work through the first half of the month and on the 5th of the following month for work through the last half of the month.

Because center employees document time earned and leave taken on monthly time summary forms, this procedure does not allow the district payroll clerk to include actual hours worked when preparing either the monthly or semi-monthly payrolls. Payment of salaries without the support of properly approved employee hours does not constitute an after-the-fact monthly payroll and does not adequately document an after-the-fact semi-monthly payroll. Because of this procedure, any differences between the hours paid and hours actually worked are not adjusted until the following pay period. Any overtime is not paid until the following pay period. This violates section 39-3-204, MCA, which requires employees to be paid within ten days after the end of the pay period.

#### RECOMMENDATION #2

We recommend that the school district pay compensation promptly in compliance with section 39-3-204, MCA.

#### Payroll Allocation

The budget approved by the Office of Public Instruction, Department of Vocational and Occupational Services, contained approved budget percentages by expenditure category for the 1978-79 fiscal year. The following table illustrates these percentages.

<u>Category</u>	<u>Allowed by Superintendent of Public Instruction</u>	<u>Actual Percentage Reported</u>
Administration and Supervision	9 percent maximum	6 percent
Instruction	60 percent minimum	62 percent
Multi-Media	3 percent maximum	less than 1 percent
Student Services	7 percent maximum	8 percent
Plant Operation	12 percent maximum	9 percent
Fixed Charges	Open	14 percent
Capital Outlay	Open	0 percent

These percentages are established as guidelines; the actual expenditure percentage may vary. However, policy decisions about the center's operations cannot be properly made if payroll costs are inaccurately charged to expenditure categories. We noted in our payroll tests that the center had allocated 100 percent of a guidance counselor's salary to instruction. The counselor teaches one class a day. The remainder of his time should be allocated to student services. Failure to properly allocate the counselor's salary resulted in instruction expenditures being overstated by \$17,800 and student services understated by the same amount. The reported percentages for instruction should have been 59.6 percent instead of 62 percent and student services should have been 10.1 percent instead of 8 percent.



### RECOMMENDATION #3

We recommend that the center properly allocate costs to budget categories.

### INSTRUCTOR CERTIFICATION

The Board of Public Education required each teacher at the center to maintain a valid Montana teaching certificate endorsed for vocational education. The Office of Public Instruction has continued this requirement.

We reviewed qualification requirements of the instructors in our sample. We noted two exceptions to the qualification requirement.

One of the exceptions was a substitute instructor employed at the center from January to June 1979. This instructor did not have a Montana teaching certificate. School district policies require that a valid Montana teaching certificate be registered with the district within 60 days of the first day of school, or applicants will not be permitted to substitute thereafter. Montana Board of Education policies set forth in the Administrative Rules of Montana (ARM) limit the period an uncertified substitute may carry out the duties of a certified teacher to thirty days.

The second exception was an instructor in the nursing program who did not have the required endorsement for vocational education required by the state's administrative rules.

#### RECOMMENDATION #4

We recommend that the center require each instructor to hold a valid Montana teaching certificate endorsed for vocational education.

#### EMPLOYEE LEAVE

Non-teaching employees are entitled to vacation and sick leave benefits under Title 2, Chapter 18, Part 6, MCA. We reviewed agreements between the school district and its employees which allow leave privileges exceeding those allowed by state law.

The Department of Community Affairs (DCA), in its audit report relating to the Butte school district for the fiscal year ended June 30, 1977, noted the same problem. In that report DCA recommended that the District Board of Trustees request an opinion from the state Attorney General to determine if statutory leave provisions may be varied through collective bargaining. This recommendation was not implemented.

As a result of our audit of the Great Falls Vocational-Technical Center for the fiscal year ended

June 30, 1978, we requested an opinion from the Attorney General to resolve the question. The Attorney General held in Volume 38, Opinion 20:

- "1. Non-teaching employees of school districts and postsecondary vocational-technical centers are entitled to vacation and sick leave benefits under Title 2, Chapter 18, Part 6, MCA.
2. Title 2, Chapter 18, Part 6, MCA, establishes maximum and minimum benefits which may not be varied through collective bargaining or other negotiation."

Section 2-18-612, MCA, allows 15 days vacation leave credits each year for up to 10 years employment, with additional days credits for over 10 years employment. Section 2-18-618, MCA, allows 12 days sick leave credit for each year of employment.

The following table illustrates the comparisons between leave credits allowed by law and the employee agreements.

	<u>MCA</u> <u>Provisions</u>	<u>Union Agreements</u>	
		<u>Engineers</u>	<u>Secretaries</u>
Vacation Leave	15 days	18 days	16 days
Sick Leave	12 days	13 days	12 days

The union agreements with engineers and secretaries provide for "personal leave" which is charged against the employees' sick leave credits. Engineers are allowed 4 days personal leave per year, secretaries 3 days. This provision is in violation of state law. Section 2-18-601, MCA, defines sick leave with pay for a sickness suffered by an employee or his immediate



family. Personal leave should be charged against vacation leave credits. The present agreements, in effect, allow the employee additional days vacation time.

The engineers' agreement provides for a lump sum payment of 100 percent of the employee's sick leave balance upon termination. Secretaries are paid for 50 percent of their sick leave balances. These provisions are in excess of the 25 percent payment allowed by section 2-18-618, MCA.

Employees are credited with an entire year's leave credits at the beginning of each year. For example, janitors were given 16 days vacation on July 1, 1979 which could be taken at anytime during the year. This is in violation of state law which requires that leave be credited at the end of each pay period.

In light of the Montana Attorney General's Opinion, the leave provisions noted above are not in accordance with state statutes.

#### RECOMMENDATION #5

We recommend that the school district implement leave policies in accordance with state statutes.

#### STUDENT TUITION

Student tuition is authorized under section 20-7-332, MCA. Tuition rates are determined by the Office

of Public Instruction. During fiscal year 1978-79 tuition was \$40 per quarter for state residents and \$150 per quarter for non-residents. On July 1, 1979, tuition rates were raised to \$80 and \$300 per quarter. The center reported \$42,625 in tuition receipts for fiscal year 1978-79.

#### Late Deposits

The center did not report \$1,780 in tuition collected during May and June, 1979. The money was deposited and recorded as tuition in the following fiscal year.

The money collected was from the \$10 application fee charged each student initially applying for admission to the center. The application fee is provided under the Office of Public Instruction's policies to support the costs of processing the student application and permanent file. The fee is collected only once from each student and is applied against the student's tuition for his first quarter.

Because the application fee is applied to tuition for the 1979-80 fiscal year, the center held the receipts in the safe and did not report them as cash receipts for fiscal year 1978-79. As a result, cash receipts for fiscal year 1978-79 are understated by \$1,780 under the cash basis of accounting, which was used by the center during the period.

This problem should be eliminated when the center adopts the Statewide Budgeting and Accounting System (SBAS) beginning July 1, 1980. Application fees collected during one fiscal year, which apply towards tuition revenue for the following fiscal year, will be recorded as deferred revenue in the year received.

The center does not have a formal written policy regarding the deposit of funds. In addition to the problem noted above, we noted other instances where tuition receipts were held in the safe for up to eight business days before they were deposited. In order to minimize the risk of loss, receipts should be promptly deposited. Beginning July 1, 1980 the vocational-technical centers will be subject to the provisions of section 17-6-105, MCA. This section provides all moneys shall be deposited in the state treasury system each day when the accumulated coin and currency exceeds \$100 or total collections exceed \$500. All collections shall be deposited at least weekly.

#### RECOMMENDATION #6

We recommend that the center promptly deposit all receipts.

#### STUDENT CONTACT HOURS

Student contact hours provide a basis for a variety of comparisons among the centers. Student contact hours can be used to determine teacher productivity,

cost per student contact hour, and student productivity of a center. In addition, the contact hours are used as a factor in allocating state funds among the five centers. These comparisons require accurate and consistent information for meaningful results.

The Office of Public Instruction (OPI) established a standard method for determining student contact hours beginning in fiscal year 1977-78. The centers were instructed to take enrollment on the twelfth instructional day and compute contact hours using the following formula:

$$\text{Student Contact Hours} = \frac{\text{Enrollment} \times \text{Instructional Hours per Day} \times \text{Instructional Days Per Quarter}}{1}$$

As part of our audit work, we tested the contact hours reported for Spring Quarter 1979, by the Butte center. We found that the actual hours reported were overstated by 6,489 hours, or 5.6 percent of the 114,912 total contact hours reported.

The Butte Vo-Tech determines the student contact hours on a program basis. Full-time students are considered as attending class for six hours a day and part-time students four hours a day. The number of students attending full or part-time is multiplied by six or four hours, respectively, and then multiplied by the number of days in the quarter to get the contact hours for the program for the quarter.



Under this system, the student contact hours tend to be inflated, particularly for the office education programs. In these programs a student may attend from one to six hours a day. If a student is attending five hours a day, he is considered full-time and counted for six hours. Thus, the contact hours for a week are overstated by five. If a student is attending less than four hours a week, he is considered part-time and four is used as a factor, again overstating the contact hours.

We noted 27 instances where students attending five hours per day were considered as attending six hours per day. In 25 instances students attended less than four hours but were considered as attending four hours per day. In some cases part-time students were incorrectly considered as full-time students or full-time students were incorrectly reported as part-time.

Contact hours were also overstated as a result of overstated enrollment figures. In one instance a student who did not attend after the first day was included as a full-time student. In two other instances students enrolled after the twelfth day were counted as students on the Center Enrollment reports.

#### RECOMMENDATION #7

We recommend that the center calculate student hours in accordance with OPI policy.

## SALE OF PROPERTY

Section 20-6-604, MCA, sets forth criteria for selling of personal property by school districts. This section requires that before any personal property is disposed of, the trustees adopt a resolution so stating their intent to sell after public notice and a hearing. The money realized from the sale or disposal must be credited to the Debt Service Fund, Building Fund, General Fund, or any combination of these three funds at the discretion of the trustees.

During the audit period the center received scrap metal donated for use in the welding classes. After the classes used the metal, it was sold to a local scrap yard for \$972 and the proceeds were deposited in the center's scrap metal fund. We did not find a resolution by the trustees authorizing the scrap metal sale.

In order to comply with section 20-6-604, MCA, the center should obtain a resolution from the trustees authorizing the incidental sales and setting forth the disposition of the sale proceeds. The proceeds should be deposited in the proper School District fund for center use.

## RECOMMENDATION #8

We recommend that the center comply with section 20-6-604, MCA, relating to the sale of personal property.

## Reporting Errors

We noted two instances of errors in the information the center reported to the Office of Public Instruction (OPI).

The final financial report for the fiscal year 1978-79 reported nonbudgeted expenditure activity of \$29,346. The actual amount in the center records was \$27,346. The \$2,000 difference between the center records and the amount reported to OPI was the result of a typing error when the report was prepared. The district accounting clerk indicated OPI has been informed of the error.

During fiscal year 1977-78 the district accounting clerk incorrectly reported an \$18,367 payment from the state as a local mill levy payment. As a result, the records of OPI were overstated and the state funding was reduced accordingly. In February 1980, the error was resolved. The center will receive additional state funding of approximately \$15,000 in order to close out fiscal year 1977-78 activity.

The financial reports submitted to OPI must be accurate in order to prevent unnecessary funding delays because of errors and to provide valuable management reports and information.

## RECOMMENDATION #9

We recommend that the center institute review procedures to ensure that financial reports submitted to the Office of Public Instruction are accurate.

## INTERNAL CONTROL

As part of our examination, we made a study and evaluation of the center's system of internal accounting control to establish a basis for reliance thereon in determining the nature, timing, and extent of other auditing procedures necessary for expressing an opinion on the financial statements and to assist in planning and performing our examination of the financial statements.

The objective of internal accounting control is to provide reasonable, but not absolute, assurance as to the safeguarding of assets against loss from unauthorized use or disposition, and the reliability of financial records for preparing financial statements and maintaining accountability for assets. The concept of reasonable assurance recognizes that the cost of a system of internal accounting control should not exceed the benefits derived and also recognizes that the evaluation of these factors necessarily requires estimates and judgments by management.

Our examination would not necessarily disclose all weaknesses in the system of internal accounting control



because it was based upon selective tests of accounting records and related data. We found no material internal control weaknesses. However, our study and evaluation disclosed conditions that we believe warrant management attention. We discuss these conditions in this report.

#### Pay Calculations

The school district has attempted to implement a time card system to control payroll. The district teaching staff is not required to record time on the time cards. Non-teaching staff use time cards.

We noted instances where the hours recorded on the time cards did not agree to the hours paid. The district's pay records did not support the reasons for the differences between the hours worked and the hours paid. There should be sufficient documentation to support each payroll amount.

In some instances district employees were unable to locate time cards for individuals in our sample. We noted one instance where the hours on the time card were added incorrectly. As a result, the employee was not paid for eight hours. Because of the problems noted above, the control features of the time card system are lost.

During the audit period the district did not maintain signed employee authorizations for all payroll

deductions and withholding amounts. These authorizations should be maintained for each employee on a current basis in order to adequately document the employee's net pay calculations.

Non-teaching employees record sick leave taken on the top of their time cards. This information is then posted to the manual leave record for each employee. Although the district requires approved leave requests for employees when they are on extended leave, the district does not require employees to submit leave requests for sick leave once the employees have returned to work from short absences. During our review of five leave records, we noted two instances where sick leave recorded on the time cards was not posted to the employee's records.

#### RECOMMENDATION #10

We recommend that the school district:

- A. Implement a time recording system that will adequately support payroll amounts.
- B. Maintain employee authorizations for payroll deductions on a current basis.
- C. Record sick leave accurately.

#### Segregation of Duties

One of the key elements of any system of internal control is the segregation of duties between the physical custody and recording functions for various assets.

To reduce the risk of misappropriation of assets the person assigned the physical custody should not have access to the accounting records. We noted the following incompatible duties in the student council accounts and equipment inventory records.

The administrative secretary who reconciles the student council account and the student council scholarship account also deposits money in the accounts, is custodian of the checkbook, and is an authorized check signer.

The chief engineer maintains the equipment inventory records for the center. The engineer initially receives equipment, is responsible for affixing property tags to the equipment, and he records the items on the inventory listing. He performs the physical inventory at year end.

The tool room clerk at the center maintains the inventory list of tool room equipment and performs the annual physical inventory.

The incompatible duties described above should be segregated to the maximum extent feasible to provide adequate internal controls.

#### Student Activity Accounts

Officials indicated the checking accounts for the student activities are reconciled monthly. However, we noted the reconciliation process is not formally documented. There is no work sheet or schedule maintained

which details the reconciliation. The monthly bank statements contain a reconciliation form on the back. Completing the reconciliation form on the bank statement would document the monthly reconciliation.

Expenditures for the student council and office education association are authorized by the students and faculty advisors; however, there is no documentation of the expenditure authorizations. The faculty advisors indicated expenditures are verbally approved. This approval should be formally documented.

#### Plant, Property, and Equipment

Donated equipment was not properly included in the equipment records. Donated equipment should be recorded at fair market value on the date the item is donated. Some purchased equipment in use at the center was not tagged or recorded on the equipment records at the time of our review. To ensure proper physical controls, all equipment items should have an identifying tag number and should be promptly recorded in the equipment records.

Some equipment on the equipment records was not located during the physical inventory. Management was not informed of the missing equipment items. All differences between the equipment records and the physical inventory should be resolved and missing items should be promptly reported to management.

Obsolete or damaged items were reported on the equipment records. Upon approval of the Board of Trustees these obsolete items should be disposed of and deleted from the equipment records.

RECOMMENDATION #11

We recommend that the center implement procedures to correct the problems described above.



AUDITOR'S REPORT AND FINANCIAL STATEMENTS





# Office of the Legislative Auditor

STATE CAPITOL  
HELENA, MONTANA 59601  
406/449-3122



MORRIS L. BRUSETT, C.P.A.  
LEGISLATIVE AUDITOR

ELLEN FEATHER, C.P.A.  
DEPUTY LEGISLATIVE AUDITOR  
JOHN W. NORTHEY  
STAFF LEGAL COUNSEL

The Legislative Audit Committee  
of the Montana State Legislature:

We have examined the Statement of Assets and Liabilities Arising from Cash Transactions of the various funds of the Butte Vocational-Technical Center, as of June 30, 1979, and the related statements of cash receipts, cash disbursements, and changes in cash balances for the year then ended. Our examination was made in accordance with generally accepted auditing standards, and, accordingly, included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

As described in Note 1, the center prepares its financial statements on the cash basis. This basis of accounting does not give effect to accounts receivable, accounts payable, accrued items, fixed assets and long term liabilities. Accordingly, the financial statements do not present financial position and results of operations in conformity with generally accepted accounting principles.

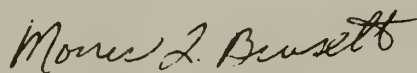
In our opinion, the accompanying statements present fairly the assets and liabilities of the various funds of the Butte Vocational-Technical Center at June 30, 1979, arising from cash transactions, and its revenues collected and expenditures paid during the year then ended, on a basis consistent with the preceding year.

The accompanying Schedule of Revenues and Disbursements for the Operating Fund, Schedule of Changes in Cash Balance for the Student Aid Program and items titled "All Funds (Memorandum Only)" on the Statement of Assets and Liabilities Arising From Cash Transactions, Statement of Cash Receipts, Statement of Cash Disbursements, and Statement of Changes in Cash Balances are not necessary for a fair presentation of the financial statements, but are presented as supplemental information. This information has been subjected to the tests and other auditing procedures applied

Page 2

in the examination of the financial statements mentioned above and, in our opinion, is fairly stated in all material respects in relation to the financial statements taken as a whole.

Respectfully submitted,

A handwritten signature in cursive script, reading "Morris L. Brusett".

Morris L. Brusett, C.P.A.  
Legislative Auditor

March 6, 1980



BUTTE VOCATIONAL-TECHNICAL CENTER  
ALL FUNDS  
STATEMENT OF ASSETS AND LIABILITIES  
ARISING FROM CASH TRANSACTIONS  
JUNE 30, 1979

	<u>Operating Fund</u>	<u>Book and Supply Fund</u>	<u>Scrap Metal Fund</u>	<u>Vo-Tech Trade Fair Fund</u>
<u>ASSETS</u>				
Cash	<u>\$30,403</u>	<u>\$2,801</u>	<u>\$1,046</u>	<u>\$1,464</u>
<u>LIABILITIES/FUND BALANCE</u>				
Outstanding Warrants	\$148,139	\$ 20		\$ 633
Fund Balance (Note 8)	<u>(117,736)</u>	<u>2,781</u>	<u>\$1,046</u>	<u>831</u>
Total Liabilities and Fund Balance	<u>\$ 30,403</u>	<u>\$2,801</u>	<u>\$1,046</u>	<u>\$1,464</u>

Student  
Activities  
Fund

Vo-Tech  
Planning  
Fund

Student Aid  
Program  
Fund

All Funds  
(Memorandum  
Only)

\$2,038

\$4,445

\$10,862

\$53,059

2,038

\$4,445

\$ 7,039  
3,823

\$155,831  
(102,772)

\$2,038

\$4,445

\$10,862

\$ 53,059



BUTTE VOCATIONAL-TECHNICAL CENTER  
ALL FUNDS  
STATEMENT OF CASH RECEIPTS  
FISCAL YEAR ENDED JUNE 30, 1979

	<u>Operating Fund</u>	<u>Book and Supply Fund</u>	<u>Scrap Metal Fund</u>	<u>Vo-Tech Trade Fair Fund</u>
CASH RECEIPTS				
State Funding	\$574,335			
Federal Funding				
County Property Taxes	52,949			
Student Fees	42,625			
Book Sales		\$19,261		
Metal Sales			\$972	
Student Activities				\$5,943
Private Grants and Gifts				
Local Matching Funds				
Interest				
Miscellaneous, Refunds, etc.	<u>39</u>	<u>          </u>	<u>          </u>	<u>          </u>
TOTAL CASH RECEIPTS	<u>\$669,948</u>	<u>\$19,261</u>	<u>\$972</u>	<u>\$5,943</u>

<u>Student Activities Funds</u>	<u>Vo-Tech Planning Fund</u>	<u>Student Aid Program Funds</u>	<u>All Funds (Memorandum Only)</u>
		\$ 2,624	\$576,959
		99,037	99,037
			52,949
			42,625
			19,261
			972
\$7,947			13,890
		1,220	1,220
		18,802	18,802
	\$275		275
<u>          </u>	<u>204</u>	<u>550</u>	<u>793</u>
<u>\$7,947</u>	<u>\$479</u>	<u>\$122,233</u>	<u>\$826,783</u>

BUTTE VOCATIONAL-TECHNICAL CENTER  
ALL FUNDS  
STATEMENT OF CASH DISBURSEMENTS  
FISCAL YEAR ENDED JUNE 30, 1979

	<u>Operating Fund</u>	<u>Book and Supply Fund</u>	<u>Vo-Tech Trade Fair Fund</u>
CASH DISBURSEMENTS			
Administration			
Administrative Salaries	\$ 28,525		
Clerical Salaries	15,084		
Travel	2,427		
Other Expenses	3,254		
Student Salaries			
Total Administration	<u>49,290</u>		
Supervision and Instruction			
Supervisory Salaries	27,269		
Instructional Salaries	411,619		
Clerical Salaries	12,373		
Supplies	17,803		
Travel	500		
Other Expenses	<u>28,519</u>		<u>\$5,112</u>
Total Supervision and Instruction	<u>498,083</u>		<u>5,112</u>
Student Services			
Professional Salaries	50,227		
Clerical Salaries	6,677		
Travel	1,500		
Other Expenses	6,012		
Textbooks and Supplies		\$22,077	
Student Aid			
Total Supportive Services	<u>64,416</u>	<u>22,077</u>	
Operation of Plant			
Salaries	45,068		
Supplies	4,276		
Utilities	<u>21,363</u>		
Total Operation of Plant	<u>70,707</u>		
Repair and Maintenance			
Parts and Supplies	881		
Contracted Services	<u>1,952</u>		
Total Repair & Maintenance	<u>2,833</u>		
Other Current Charges			
Employee Benefits	119,944		
Miscellaneous			
Total Other Current Charges	<u>119,944</u>		
TOTAL CASH DISBURSEMENTS	<u>\$805,273</u>	<u>\$22,077</u>	<u>\$5,112</u>

<u>Student Activities Funds</u>	<u>Student Aid Program Funds</u>	<u>All Funds (Memorandum Only)</u>
	\$ 1,809	\$ 30,334
	7,260	22,344
		2,427
	2,782	6,036
	53,540	53,540
	<u>65,391</u>	<u>114,681</u>
		27,269
		411,619
		12,373
		17,803
		500
\$6,356		<u>39,987</u>
<u>6,356</u>		<u>509,551</u>
		50,227
		6,677
		1,500
		6,012
		22,077
	70,679	70,679
	<u>70,679</u>	<u>157,172</u>
		45,068
		4,276
		21,363
		<u>70,707</u>
		881
		1,952
		<u>2,833</u>
	5,578	125,522
24		24
24	5,578	125,546
<u>\$6,380</u>	<u>\$141,648</u>	<u>\$980,490</u>

BUTTE VOCATIONAL TECHNICAL CENTER  
ALL FUNDS  
STATEMENT OF CHANGES IN CASH BALANCES  
FISCAL YEAR ENDED JUNE 30, 1979

	<u>Operating Fund</u>	<u>Book and Supply Fund</u>	<u>Scrap Metal Fund</u>	<u>Vo-Tech Trade Fair Fund</u>
BEGINNING CASH BALANCE JULY 1, 1978	\$ 17,589	\$ 5,597	\$ 74	
Total Cash Receipts	<u>669,948</u>	<u>19,261</u>	<u>972</u>	<u>\$5,943</u>
Total Cash Available	687,537	24,858	1,046	5,943
Total Disbursements	<u>805,273</u>	<u>22,077</u>	<u>          </u>	<u>5,112</u>
Ending Cash Balance (Deficit) June 30, 1979 (Note 8)	<u><u>\$(117,736)</u></u>	<u><u>\$ 2,781</u></u>	<u><u>\$1,046</u></u>	<u><u>\$ 831</u></u>

<u>Student Activities Funds</u>	<u>Vo-Tech Planning Fund</u>	<u>Student Aid Program Funds</u>	<u>All Funds (Memorandum Only)</u>
\$ 471	\$3,966	\$ 23,238	\$ 50,935
<u>7,947</u>	<u>479</u>	<u>122,233</u>	<u>826,783</u>
8,418	4,445	145,471	877,718
<u>6,380</u>	<u>          </u>	<u>141,648</u>	<u>980,490</u>
<u>\$2,038</u>	<u>\$4,445</u>	<u>\$ 3,823</u>	<u>\$ (102,772)</u>





BUTTE VOCATIONAL-TECHNICAL CENTER

NOTES TO FINANCIAL STATEMENTS

FISCAL YEAR ENDED JUNE 30, 1979

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting

The financial statements are prepared on the cash basis of accounting. This basis records expenditures when paid and revenue when received. Cash basis statements do not recognize assets other than cash and do not account for liabilities.

Description of Funds

Operating Fund -- This fund accounts for the center's state general fund appropriation, local mill levy and student fees. It accounts for the budgeted expenditures, which are approved by the Office of Public Instruction.

Book and Supply Fund -- Student bookstore receipts and disbursements are accounted for in this fund.

Scrap Metal Fund -- As discussed on page 18, the center obtains scrap metal donated for use in welding classes. When the classes are done with the metal, it is sold and the proceeds are used to support the welding program at the school.

Vo-Tech Trade Fair Fund -- In May 1978, the center held a trade fair, the proceeds of which were used to fund center operations.

Student Activities Fund -- The center holds money in trust for the various student organizations. The student receipts are used to finance student activities at the center.

Vo-Tech Planning Fund -- In 1973 the legislature appropriated \$100,000 for the planning and purchase of land for a new Vo-Tech. Land was purchased for \$90,000 and the remaining money is to be used in the planning of the new facility.

Student Aid Program Fund -- This fund accounts for the receipt and expenditure of federal, state, and local money received to support the student financial aid programs. The various programs are Basic Educational Opportunity Grant, Supplemental Educational Opportunity Grant, College Work-Study, State Student Incentive Grant, Veterans Cost of Instruction, and a local scholarship fund.

## 2. FIXED ASSETS

Consistent with the cash basis of accounting described in Note 1, fixed assets purchased are recorded as expenditures of the fund from which purchased. A general fixed asset group of accounts is not maintained.

## 3. RETIREMENT PLANS

The Butte Vocational-Technical Center participates in two retirement systems: Teachers' Retirement System (TRS) and Public Employees' Retirement System (PERS).

The center's 1978-79 contributory share was 6.312 percent for TRS and 6.2 percent for PERS of the employees' salaries and wages. The employees' contributions were 6.187 percent for TRS and 6 percent for PERS. The retirement plan expenses were \$34,546 for TRS and \$5,479 for PERS in fiscal year 1978-79.

The state's policy is to fund accrued pension costs. Based on the most recent actuarial valuation reports, at June 30, 1978, the Public Employees' Retirement System was actuarially sound. The Teacher's Retirement System was actuarially sound at June 30, 1979. The unfunded past service costs and the actuarially computed value of vested benefits were not readily available for members of the plan employed by the center.

#### 4. EMPLOYEE BENEFITS

The employee benefits in the operating fund consist of the following:

Social Security	\$ 33,571
Teachers' Retirement (TRS)	34,546
Public Employees' Retirement (PERS)	5,479
Insurance (including unemployment insurance)	46,348
Total Employee Benefits	<u>\$119,944</u>

#### 5. VACATION AND SICK PAY

As discussed on page 11, employee vacation and sick pay is determined in accordance with union contracts. Upon termination, qualifying employees having

unused accumulated vacation and sick leave receive lump sum payments in accordance with the contract provisions. Center employees' attendance records are maintained at the school district business office. The records do not indicate the dollar amount of liability for accrued sick leave and annual leave, but the accrued hours are determinable.

#### 6. LAND AND BUILDING

The school district owns the center's land and building. The furnishings and equipment are owned by the center. The district also supplies other services as listed in Note 7.

#### 7. SERVICES PROVIDED BY SCHOOL DISTRICT

The school district provides the following services to the center at the approximate cost listed:

Payroll accounting	\$2,037
General accounting	2,005
Computer services	4,388
Personnel services accounting	1,530
Negotiations of contracts	3,775
Maintenance and operation	2,249
School carpenter services	366
Garbage pickup services	502
Utilization of district plant at no rental cost to post-secondary	14,400
Warehouse storage services	2,000
Warehouse services	2,000
Other district personnel services	
1) Superintendent	2,258
2) Business Manager	1,516
3) Federal programs director	1,878
4) Nursing services	1,422
Health insurance	3,455
Conduct bidding for Vo-Tech projects	3,000
Northwest Association of Schools and Colleges (accreditation)	660
School painter services	1,500
School glass services	3,000
Total Services	<u>\$53,941</u>

8. NEGATIVE FUND BALANCE IN THE OPERATING FUND

The negative \$117,736 Operating Fund balance represents accounts receivable in the form of additional funding from the Office of Public Instruction.



BUTTE VOCATIONAL-TECHNICAL CENTER  
OPERATIONAL FUND  
SCHEDULE OF REVENUES AND DISBURSEMENTS  
FISCAL YEAR ENDED JUNE 30, 1979

Beginning Cash Balance \$ 17,589  
July 1, 1978

Revenues:

County Property Taxes	\$ 52,949	
Student Fees	42,625	
State Financing	574,335	
Miscellaneous	39	
Total Revenue		<u>669,948</u>
Total Cash Available		<u>687,537</u>

	Adjusted Budget Amount	Actual Expenditures	
<b>Expenditures:</b>			
<b>Administration:</b>			
Salaries, Administrative	\$ 28,485	\$ 28,525	
Salaries, Clerical	15,084	15,084	
Travel	2,450	2,427	
Other Expenses	1,700	3,254	
Total Administrative	<u>47,719</u>		49,290
<b>Supervision and Instruction:</b>			
Salaries, Supervisory	26,555	27,269	
Salaries, Instructional	411,654	411,619	
Salaries, Clerical - Supervisory	3,355	3,355	
Salaries, Clerical - Instructional	8,604	9,018	
Supplies, Non-Consumable	4,481	4,144	
Supplies, Consumable	14,208	13,659	
Travel	500	500	
Other Expenses	28,799	28,519	
Total Supervision and Instruction	498,156		498,083
<b>Multi-Media Resource Center:</b>			
Salaries, Clerical	<u>933</u>	<u>789</u>	
Total Multi-Media Resources Center	933		789
<b>Supportive Services:</b>			
Salaries, Professional	50,522	50,227	
Salaries, Clerical	5,888	5,888	
Travel	1,500	1,500	
Other Expenses	6,369	6,012	
Total Supportive Services	<u>64,279</u>		63,627
<b>Operation of Plant:</b>			
Salaries	45,068	45,068	
Supplies	4,700	4,276	
Heat	7,576	7,576	
Utilities	14,619	13,787	
Total Operation of Plant	<u>71,963</u>		70,707
<b>Maintenance:</b>			
Replacement and Parts	900	881	
Contracted Services	1,500	1,952	
Total Maintenance	<u>2,400</u>		2,833
<b>Other Current Charges:</b>			
Social Security	33,616	33,571	
Teachers' Retirement	34,545	34,546	
Public Employees' Retirement	5,459	5,479	
Insurance	46,203	46,348	
Total Other Current Charges	<u>119,823</u>		119,944
Total 1978-79 Disbursements	<u>805,273</u>		<u>805,273</u>

Ending Cash Balance  
June 30, 1979

\$(117,736)

BUTTE VOCATIONAL-TECHNICAL CENTER  
STUDENT AID PROGRAM  
SCHEDULE OF CHANGES IN CASH BALANCE  
FISCAL YEAR ENDED JUNE 30, 1979

	Scholarship Fund	State Student Incentive Grant	College Work Study	Basic Educational Opportunity Grant	Supplemental Educational Opportunity Grant	Veterans Cost of Instruction	Total Student Aid Program
Beginning Cash Balance July 1, 1978	\$ 994	\$ 50	\$ 5,840	\$13,320	\$3,034	\$-0-	\$ 23,238
Receipts							
State Funding		2,624					2,624
Federal Funding			43,000	53,000		3,037	99,037
Private Grants and Gifts	1,220		18,802				1,220
Local Matching Funds							18,802
Misc. Refunds, Etc.				450	100		550
Total Receipts	1,220	2,624	61,802	53,450	100	3,037	122,233
Transfers			303	(303)		-0-	-0-
Total Cash Available	\$2,214	\$2,674	\$67,945	\$66,770	\$2,831	\$3,037	\$145,471
Disbursements							
Administration							
Administrative Salaries			\$ 1,809				\$ 1,809
Clerical Salaries			4,677			\$2,583	7,260
Student Salaries			53,540				53,540
Other Expenses			2,636			146	2,782
Total Administration			62,662			2,729	65,391
Other Current Charges							
Employee Benefits			5,270			308	5,578
Student Aid Disbursements	\$ 810	\$2,580		\$65,389	\$1,900		70,679
Total Other Current Charges	810	2,580	5,270	65,389	1,900	308	76,257
Total Cash Disbursements	\$ 810	\$2,580	\$67,932	\$65,389	\$1,900	\$3,037	\$141,648
Ending Cash Balance June 30, 1979	\$1,404	\$ 94	\$ 13	\$ 1,381	\$ 931	\$-0-	\$ 3,823

APPENDIX A

BUTTE VOCATIONAL-TECHNICAL CENTER  
Butte, Montana

Financial/Compliance Audit of  
Basic Educational Opportunity Grant Program  
Fiscal Years Ending June 30, 1978 and June 30, 1979

## PART 1 INTRODUCTION

### Background

The Butte Vocational-Technical Center (Vo-Tech), Butte, Montana, is a postsecondary institution approved by the Office of Education for participating in the Basic Educational Opportunity Grant (BEOG) Program. Our examination of the BEOG Program of the Butte Vo-Tech, for the two fiscal years ended June 30, 1979, was directed toward the objectives set forth in the BEOG Audit Guide dated June 1978, prepared by the Department of Health, Education and Welfare.

In July 1973, the Vo-Tech established the BEOG Program to provide eligible students with a foundation of financial aid to help defray the costs of attending the institution. During the academic years 1977-78 and 1978-79, program funds in the amount of \$85,504 and \$83,064, respectively, were authorized. In the same two periods \$77,571 was disbursed to 149 full-time students, and \$64,939 was disbursed to 113 full-time students, for Basic Grant Awards.

In addition, the Vo-Tech received other Office of Education Student Financial Aid funds for the College Work Study and Supplemental Educational Opportunity Grant Programs. The institution also received funds from the state for the State Student Incentive Grant Program. Furthermore, there are two scholarship funds at the Vo-Tech.

## Scope of Audit

Our audit of the BEOG Program was performed in accordance with the financial and compliance elements of the "Standards for Audit of Governmental Organizations, Programs, Activities and Functions" issued by the Comptroller General in June, 1972 (1974 reprint), and the BEOG audit guide prescribed by the Department of Health, Education and Welfare, dated June 1978. The purpose of the audit was to formulate an opinion on the basic financial statements taken as a whole and to determine if the BEOG Program was administered in accordance with applicable laws, regulations, terms of agreements, and U.S. Office of Education directives which are set forth in the audit guide.

Our examination included:

1. Expressing an opinion on the Statement of Changes in Fund Balances, and the June 30 Progress Report, Section III, "Status of Authorization"--Column A for the two fiscal years 1977-78 and 1978-79.
2. Evaluation of the institution's system of internal control, accounting, and reporting, and the controls maintained in the operation of and accounting for the funds provided for the BEOG program.

3. Determination of compliance with applicable sections of the acts, related federal regulations, and Office of Education policies and procedures.
4. Evaluation of the institution's policies, procedures, and practices used to administer the BEOG program.
5. Ascertaining whether expenditures claimed for federal funding under the BEOG authorization on the above financial statements are fairly presented in accordance with generally accepted accounting principles and requirements of the BEOG program as set forth in the Guide for Audits of Basic Educational Opportunity Grant Program.

As part of our audit we requested confirmations from selected students who received BEOG awards during the period under audit. We mailed 28 requests for confirmations to students participating in the program. This represents approximately 10 percent of the total number of students receiving BEOG funds. We received twenty-one confirmations back from students, of which all were correct. Four of the confirmations were not returned by the students and the balance of three were returned by the Post Office with the notation "Moved, left no forwarding address."



The audit covered the period July 1, 1977 through June 30, 1979 and field work was performed during the period January 21, 1980 through February 15, 1980 at the institution's business and student financial aid offices.

## PART II - HIGHLIGHTS OF AUDIT RESULTS

Our unqualified opinion on the financial statements appears on page 54. During our examination nothing came to our attention which caused us to believe that the Butte Vo-Tech had not generally administered the BEOG Program in accordance with the law, Federal regulations and OE directives cited in the HEW Audit Guide for the BEOG program. However, there are no detailed written procedures for the system of internal control. This matter is discussed more fully under the "Findings and Recommendations" section of this report (see page 48.)

## PART III - FINDINGS AND RECOMMENDATIONS

### Excess Funds Available Over Authorization

During the audit of fiscal year 1977-78 we noted that the total BEOG funds available exceeded the authorization amount by \$5,387. The Vo-Tech had an authorization amount of \$85,504 and a beginning balance of \$5,891, creating a balance of \$90,891 in total BEOG funds available. This resulted in a balance of \$5,387 more than the amount authorized and an excess cash balance of approximately \$5,000 per month during the

fiscal year. The Vo-Tech could have avoided this problem by taking into consideration the beginning balance when estimating the amount for additional recipients expected to qualify.

#### RECOMMENDATION

We recommend that the Center consider the beginning fund balance when estimating BEOG cash needs for the next period.

#### Written Procedures for the BEOG Program

The Butte Vo-Tech has a "Financial Aid Handbook," written in October 1975, that gives a brief description of the internal controls in effect. The handbook does not adequately detail the system of internal controls and is out-of-date.

#### RECOMMENDATION

We recommend that the Center document internal control procedures and up-date the Financial Aid Handbook on a timely basis.

#### PART IV - INTERNAL ACCOUNTING AND ADMINISTRATIVE CONTROLS AND COMPLIANCE

We have examined the financial statements for the two years ended June 30, 1979 for the Butte Vocational-Technical Center BEOG Program. Our opinion on these

statements is on page 54. As a part of our examination, we have made a study of the institution's system of internal accounting control to the extent we considered necessary to evaluate the system as required by the financial and compliance elements of the "Standards for Audit of Governmental Organizations, Programs, Activities, and Functions" issued by the U.S. Comptroller General in June 1972 (1974 reprint). Under these standards the purpose of such evaluation is to establish a basis for reliance thereon in determining the nature, timing, and extent of other auditing procedures that are necessary for expressing an opinion on the financial statements.

We have also made a study of those internal accounting control and administrative control procedures of Butte Vocational-Technical Center that we considered relevant to the criteria established by the Department of Health, Education and Welfare as set forth in sections 3.2 and 3.3 of its BEOG Audit Guide issued June 1978. Our study included tests of compliance with such procedures during the two years ended June 30, 1979.

The objective of internal accounting control is to provide reasonable, but not absolute, assurance as to the safeguarding of assets against loss from unauthorized use or disposition, and the reliability of financial records for preparing financial statements and maintaining accountability for assets. We understand

that the objective of those administrative control procedures comprehended in the Department of Health, Education and Welfare criteria is to provide similar assurance as to compliance with its related requirements. The concept of reasonable assurance recognizes that the cost of a system of internal control should not exceed the benefits derived and also recognizes that the evaluation of these factors necessarily require estimates and judgments by management.

There are inherent limitations that should be recognized in considering the potential effectiveness of any system of internal control. In the performance of most control procedures, errors can result from misunderstanding of instructions, mistakes of judgment, carelessness, or other personal factors. Control procedures whose effectiveness depend upon segregation of duties can be circumvented by collusion. Similarly, control procedures can be circumvented intentionally by management with respect either to the execution and recording of transactions or with respect to the estimates and judgments required in the preparation of financial statements. Further, projection of any evaluation of internal control to future periods is subject to the risk that the procedures may become inadequate because of changes in conditions and that the degree of compliance with the procedures may deteriorate.



We understand that procedures in conformity with the criteria referred to in the second paragraph of this report section are considered by the Department of Health, Education and Welfare to be adequate for its purpose in accordance with the provisions of the Higher Education Act of 1965 and related regulations, and that procedures not in conformity therewith indicate some inadequacy for such purposes. Based on this understanding and on our study, we believe the Butte Vocational-Technical Center procedures were adequate for the department's purposes. This report is intended for use in connection with the grant to which it refers and should not be used for any other purposes.

Findings and Recommendations - Internal Accounting and Administrative Controls and Compliance

Affidavit of Education Purpose Regulations

CFR, section 190.75 requires that each student execute a signed statement indicating that the money attributable to the BEOG award will be used solely for expenses related to attendance or continued attendance at the institution. In our review of student records we found one instance where the affidavit had not been signed.

RECOMMENDATION

We recommend that the Center require each student to sign an affidavit of educational purpose and this document be placed in the student's BEOG file.

### Overpayments of Basic Grants

We noted one instance where a student had received a Basic Grant in academic year 1977-78 and at the end of that year owed \$23.67 to the Program. The student received another grant the following academic year without repaying the amount owed from the previous year. This is in violation of CFR, section 190.75. Also, the Vo-Tech has not documented its policy for making refunds of amounts paid by BEOG recipients who withdraw or fail to pursue their course of study at the institution.

### RECOMMENDATION

We recommend that the Center:

1. Determine if a student owes money to a grant program prior to disbursing a new grant award.
2. Document its refund policy.

### Self-Evaluation

During our audit period, the Vo-Tech did not maintain a self-evaluation system for the BEOG Program. Subsequently, the school took steps to initiate such a program; however, no formal evaluations have been made.

### RECOMMENDATION

We recommend that the Center make periodic self-evaluations of the BEOG Program and that proper follow-up be made in areas of weakness.



## PART V - PRIOR AUDIT REPORTS ON THE BEOG PROGRAM

Vo-Tech officials indicated the BEOG Program has not previously been audited. U.S. Office of Management and Budget Circular A-110, Attachment F, requires that audits will usually be made annually, but not less frequently than every two years. The center should schedule periodic audits of the BEOG program to meet this requirement for future periods. The Center should contact the Office of Education for guidance in resolving this question for fiscal years prior to July 1, 1977.

### RECOMMENDATION

We recommend that the Center obtain periodic audits of the BEOG program.

# Office of the Legislative Auditor

STATE CAPITOL  
HELENA, MONTANA 59601  
406/449-3122



MORRIS L. BRUSETT, C.P.A.  
LEGISLATIVE AUDITOR

ELLEN FEAVER, C.P.A.  
DEPUTY LEGISLATIVE AUDITOR

JOHN W. NORTHEY  
STAFF LEGAL COUNSEL

The Legislative Audit Committee  
of the Montana Legislature:

We have examined the Statements of Changes in Fund Balance of the Butte Vocational-Technical Center applicable to its Basic Educational Opportunity Grant (BEOG) Program for the years ended June 30, 1978 and June 30, 1979. (See Exhibits A and B.) Our examination was made in accordance with the financial and compliance elements of the "Standards for Audits of Governmental Organizations, Programs, Activities, and Functions" issued by the U.S. Comptroller General in 1972 (1974 reprint). Accordingly, we conducted such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances. The Guide for Audits of Basic Educational Opportunity Grant Program, Department of Health, Education and Welfare, dated June 1978, was used as a guide in the examination.

In our opinion, the statements referred to above present fairly the changes in fund balance of Butte Vocational-Technical Center's BEOG program for the two years ended June 30, 1979 in accordance with generally accepted accounting principles applied on a consistent basis.

Our examination was made primarily for the purpose of formulating an opinion on the Statement of Changes in Fund Balances. Although not considered necessary for fair presentation of changes in fund balances, the annual Progress Report (Exhibits C and D) for the two years ended June 30, 1979 are presented for supplementary analysis purposes. The information contained in Section III, "Status of Authorization" - Column A of Exhibits C and D was subjected to the same auditing procedures applied in our examination of the Statement of Changes in Fund Balances and is, in our opinion, fairly stated in all material respects in relation to Exhibits A and B taken as a whole. All other information set forth in Exhibits C and D was not audited by us and we express no opinion thereon.

Sincerely,

A handwritten signature in cursive script that reads "Morris L. Bruset".

Morris L. Bruset, CPA  
Legislative Auditor

February 15, 1980

BUTTE VOCATIONAL-TECHNICAL CENTER  
 BASIC EDUCATIONAL OPPORTUNITY GRANT PROGRAM  
STATEMENT OF CHANGES IN FUND BALANCE  
FOR THE AWARD PERIOD JULY 1, 1977 THROUGH JUNE 30, 1978

## SOURCE OF FUNDS:

Fund Balance, Beginning of Period (BEOG Cash)	\$ 5,891
Additions:	
Current or Approved Authorization	85,504
Total Funds Available	<u>91,395</u>
Deduct:	
Funds Not Requested from DFAFS	<u>504</u>

TOTAL FUNDS PROVIDED	90,891
----------------------	--------

## DEDUCTIONS

Gross Awards to Students	\$78,111
Less: Recoveries	<u>(540)</u>

TOTAL DEDUCTIONS	<u>77,571</u>
------------------	---------------

FUND BALANCE, END OF PERIOD (BEOG Cash)	<u>\$13,320<sup>1</sup></u>
--	-----------------------------

<sup>1</sup> This does not agree with Line 26 of 6/30/78 Progress Report (Exhibit C) because of the unreported beginning cash balance and the funds authorized but not requested by the Center during the period.

BUTTE VOCATIONAL-TECHNICAL CENTER  
 BASIC EDUCATIONAL OPPORTUNITY GRANT  
 STATEMENT OF CHANGES IN FUND BALANCE  
 FOR THE AWARD PERIOD JULY 1, 1978 THROUGH JUNE 30, 1979

## SOURCE OF FUNDS:

Fund Balance, Beginning of Period (BEOG Cash)	\$13,320
Additions:	
Current or Approved Authorization	83,064
Total Funds Available	<u>96,384</u>
Deduct:	
Funds Not Requested from DFAFS	<u>30,064</u>

## TOTAL FUNDS PROVIDED

66,320

## DEDUCTIONS

Gross Awards to Students	\$65,389
Less: Recoveries	<u>(450)</u>

## TOTAL DEDUCTIONS

64,939

## FUND BALANCE, END OF PERIOD

(BEOG Cash)	<u>\$ 1,381</u> <sup>1</sup>
-------------	------------------------------

<sup>1</sup> This does not agree with Line 26 of 6/30/79 Progress Report (Exhibit D) because of the unreported beginning cash balance and the funds authorized but not requested by the Center during the period.



National PROGRESS REPORT for  
Basic Educational Opportunity Grants

Academic Year: 1977/78

RECEIVED

AUG 08 1980

DEPARTMENT OF HEALTH,  
EDUCATION, AND WELFARE  
OFFICE OF EDUCATION  
Washington, D.C. 20202PLEASE read instructions before  
completing this formFORM APPROVED  
OMB NO. 51-R0993

1. BEOG ID NO. 117 20	009282 MONTANA LEGISLATIVE AUDITOR 1616000956A2	(27) 3. Report for: (Check One Box Only)
2. EIN NO.		<input type="checkbox"/> Oct 31 <input checked="" type="checkbox"/> Feb. 28 <input checked="" type="checkbox"/> June 30 <input type="checkbox"/> AD HOC Request for Change in current OE Approved Authorization (To Be Used Between Reporting Periods)

## SECTION I: GENERAL INFORMATION (Complete only if information below is incomplete or incorrect)

4. Institution NAME and ADDRESS <b>BUTTE VOC-TECH CENTER</b> <b>404 S WYOMING STREET</b> <b>BUTTE MI 49701</b> Check here when NAME and/or ADDRESS has changed and indicate change below:	(29-34) 8. Date of Submission: <b>7</b> / <b>11</b> / <b>78</b> mo. day year
	(35) 9. Accreditation Status: Specify Agency: <b>State Department of Education</b> Status: <input checked="" type="checkbox"/> Fully Accredited <input type="checkbox"/> Candidate <input type="checkbox"/> Correspondent OR <input type="checkbox"/> "3 Letters"
(36) 10. <input type="checkbox"/> Check here if NO BEOG recipients are expected at this institution. PLEASE return this report for USOE records.	

## SECTION II: (Complete only if information below is incomplete or incorrect)

11. Type of Institution: <input checked="" type="checkbox"/> 2-year <input type="checkbox"/> 4-year <input type="checkbox"/> Less than 1 year <input type="checkbox"/> More than 2 year <input type="checkbox"/> Less than 1 year <input type="checkbox"/> More than 1 year	(42-47) 13. U.S. Congressional District: <b>001</b> 1977-78 Undergraduate Enrollment: <b>250</b> (42-47) 14. A. Full-time (48-50) B. Full-time (51-53) 15. A. Part-time (54-56) B. Part-time (57-59) 16. No. of 1977-78 part-time BEOG recipients:	(67-68) 17. Length of Academic Year (from 7/1/77 to 6/30/78) or equivalent on which the following are based: months: <b>9</b> 18. Average Institutional Charges per Full-time Undergraduate Student For 1977-78: (10-10) Tuition and Fees (Total): <b>A \$160</b> (17-24) Room (On-Campus): <b>B \$100</b> (25-32) Board (On-Campus): <b>C \$100</b> (33-40) Tuition and Fees (On-Campus): <b>D \$160</b> (41-48) Room (On-Campus): <b>E \$100</b> (49-56) Board (On-Campus): <b>F \$100</b>
---	--	---

## SECTION III: STATUS OF AUTHORIZATION (See instructions. Show dollars only. Do NOT show cents.)

	Amount (A)	Number of Recipients (B)
19. Expenditures (actual payments to students to date)	\$ 78,111	149
20. Expenditures (to date)	\$ 540	5
21. Expenditures	\$ 77,571	
22. Amount for Previous Recipients	\$ 0	
23. Amount for Additional Recipients Expected to Qualify	\$ 0	
24. Total Estimated Expenditures and Recipients (19 + 20 + 21 + 22 + 23 + 24A) (19 + 20 + 21 + 22 + 23 + 24B)	\$ 77,571	149
25. Current OE Approved Authorization per USOE records as of: <b>04/05/78 073</b>	\$ 85504	
26. Institution's Estimated Authorization Adjustment	\$ 7,933	
27. Number of Student Eligibility Reports Previously Submitted	156	
28. Number of Student Eligibility Reports Submitted with this Report	13	
29. Total Number of Student Eligibility Reports Submitted	149	

30. SIGNATURE:

(20 USC 1010a, 45 CFR 190.81)

OE FORM 255-3, 6/77

PREVIOUS EDITION IS OBSOLETE

INSTITUTION COPY

Institutional PROGRESS REPORT for  
Basic Educational Opportunity Grants.

Academic Year 1978-79



DEPARTMENT OF HEALTH,  
EDUCATION, AND WELFARE  
OFFICE OF EDUCATION  
Washington, D.C. 20202

Exhibit D

PLEASE read instructions before  
completing this form.  
FORM APPROVED  
OMB NO. 51-RC993

<p>(1-6) 1. BEOG ID NO.: <b>009282</b>                  (7-8) 2. EIN NO.: <b>18160004562</b>                  (9-20)</p>	<p>(27) 3. Report for: (Check One Box Only)                  1 <input type="checkbox"/> Oct. 31      2 <input type="checkbox"/> Feb. 28      3 <input checked="" type="checkbox"/> June 30                  4 <input type="checkbox"/> AD HOC Request for Change in current OE Approved Authorization                  (Use between reporting periods 7/1/78 thru 6/30/79)                  5 <input type="checkbox"/> June Revised (Use only if June 30 report previously filed)</p>
<p>4. Institution NAME and ADDRESS  <b>BUTTE VCC-TECH CENTER</b>  <b>100 S WYOMING STREET</b>  <b>BUTTE MT 59711</b></p> <p>(28) <input type="checkbox"/> Check here when NAME and/or ADDRESS has changed and indicate changes below:</p>	<p>(29-34) 8. Date of Submission: <u>7/11/79</u>                  mo. day year</p> <p>(35-42) 9A. Amount for 1978-79 Part-time BEOG recipients \$ <u>0</u></p> <p>(43-48) 9B. No. of 1978-79 Part-time BEOG recipients <u>0</u></p> <p>(49) 10. SIGNATURE <i>Carl Hayer</i></p>
<p>Official responsible for this PROGRESS REPORT (Sign Item 10)                  5. Name: <b>Carl Hayer</b>                  6. Title: <b>Financial Aid Officer</b>                  7. Phone: <b>(406) 792-6488</b></p>	

WARNING: Any person who knowingly makes a false statement or misrepresentation on this form may be subject to a fine of up to \$10,000 or to imprisonment of up to 5 years or to both under provisions of the United States Criminal Code. Such provisions may include, among others 18 U.S.C. 1001.

<p>(50) 11. Type of Institution: <u>2-4 Year</u>                  1 <input type="checkbox"/> University                  2 <input type="checkbox"/> Other 4-year                  3 <input checked="" type="checkbox"/> At least 2-yr, but less than 4-year                  4 <input type="checkbox"/> At least 1-yr, but less than 2-year                  5 <input type="checkbox"/> At least 6 mos., but less than 1-yr.</p>	<p>1978-79 Undergraduate Enrollment</p> <p>(58-60) 14. A. Full-time: <u>200</u></p> <p>(64-69) 15. A. Part-time: <u>0</u></p>	<p>Percent Living On-Campus</p> <p>(61-63) B. Full-time: <u>0</u>%</p> <p>(70-72) B. Part-time: <u>0</u>%</p>	<p>(74-75) 17. Length of Academic Year (from 7/1/78 to 6/30/79 or equivalent on which charges below are based): <u>9</u> months</p>														
<p>(51) 12. Control:                  1 <input checked="" type="checkbox"/> Public                  2 <input type="checkbox"/> Private, non-profit                  3 <input type="checkbox"/> Private, profit making</p>	<p>(73) 16. Accreditation Status:                  1 <input checked="" type="checkbox"/> Fully Accredited                  2 <input type="checkbox"/> Candidate                  3 <input type="checkbox"/> Correspondent                  4 <input type="checkbox"/> "3 Letters"                  Specify Agency:</p>		<p>18. Average Institutional Charges per Full-time Undergraduate Student: For 1978-79.</p> <table border="1" style="width:100%; border-collapse: collapse;"> <tr> <td>(16-16) Tuition and Fees (In-State)</td> <td>A. \$ <u>831</u></td> </tr> <tr> <td>(17-24) Room (On-Campus)</td> <td>B. \$ <u>750</u></td> </tr> <tr> <td>(25-32) Board (On-Campus)</td> <td>C. \$ <u>750</u></td> </tr> <tr> <td colspan="2">For 1979-80 (Estimated)</td> </tr> <tr> <td>(33-40) Tuition and Fees (In-State)</td> <td>D. \$ <u>100</u></td> </tr> <tr> <td>(41-48) Room (On-Campus)</td> <td>E. \$ <u>110</u></td> </tr> <tr> <td>(49-56) Board (On-Campus)</td> <td>F. \$ <u>110</u></td> </tr> </table>	(16-16) Tuition and Fees (In-State)	A. \$ <u>831</u>	(17-24) Room (On-Campus)	B. \$ <u>750</u>	(25-32) Board (On-Campus)	C. \$ <u>750</u>	For 1979-80 (Estimated)		(33-40) Tuition and Fees (In-State)	D. \$ <u>100</u>	(41-48) Room (On-Campus)	E. \$ <u>110</u>	(49-56) Board (On-Campus)	F. \$ <u>110</u>
(16-16) Tuition and Fees (In-State)	A. \$ <u>831</u>																
(17-24) Room (On-Campus)	B. \$ <u>750</u>																
(25-32) Board (On-Campus)	C. \$ <u>750</u>																
For 1979-80 (Estimated)																	
(33-40) Tuition and Fees (In-State)	D. \$ <u>100</u>																
(41-48) Room (On-Campus)	E. \$ <u>110</u>																
(49-56) Board (On-Campus)	F. \$ <u>110</u>																
<p>(52-54) 13. U.S. Congressional District: <u>1</u></p>																	

	Amount (A)	No. of BEOG Recipients (B)
19. Gross Expenditures (actual payments to students to date for current academic year) <span style="float:right">(37)(9-16) 19.</span>	\$ <b>65,339</b>	(17-24) <b>113</b>
20. Less Recoveries (to date for current academic year only) <span style="float:right">(28-32) 20.</span>	\$ <b>450</b>	
21. Net Expenditures <span style="float:right">(41-48) 19 - 20 = 21.</span>	\$ <b>64,889</b>	
ESTIMATED DEMAND FOR ADDITIONAL FUNDS (for remainder of current academic year):		
22. Amount for Present Recipients <span style="float:right">(57-64) 22.</span>	\$ <b>0</b>	
23. Amount for Additional Recipients Expected to Qualify <span style="float:right">(68-72) 23.</span>	\$ <b>0</b>	(73-80) <b>0</b>
24. Total Estimated Expenditures and Recipients <span style="float:right">4(7)(9-16) 21 + 22 + 23 = 24A.</span>	\$ <b>64,889</b>	
(for ENTIRE academic year: 7/1/78-6/30/79) <span style="float:right">19B + 23B = 24B.</span>		(17-24) <b>113</b>
25. Current OE Approved Authorization per USOE records as of: <u>6/30/79</u> <span style="float:right">(25-32) 25.</span>	\$ <b>83,004</b>	
26. Institution's Estimated Authorization Adjustment <span style="float:right">(33-40) 24 - 25 = 26.</span>	\$ <b>+ 18,125</b>	
27. Number of Student Eligibility Reports Previously Submitted <span style="float:right">(41-48) 27.</span>		<b>94</b>
28. Number of Student Eligibility Reports Submitted with this Report <span style="float:right">(49-56) 28.</span>		<b>19</b>
29. Total Number of Student Eligibility Reports Submitted <span style="float:right">(57-64) 27 + 28 = 29.</span>		<b>113</b>

30. Tape Number (for Institutions utilizing tape exchange program) \_\_\_\_\_

(20 USC 1070a, 45 CFR 190.81).      OE FORM 255-3, 6/78      PREVIOUS EDITION IS OBSOLETE.      **INSTITUTION COPY**

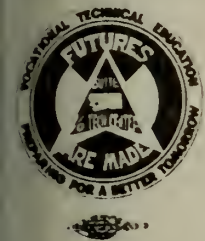




AGENCY REPLIES



## VOCATIONAL TECHNICAL CENTER



September 26, 1980

Mr. Morris L. Brussett, Legislative Auditor  
Office of the Legislative Auditor  
Room 135, State Capitol  
Helena, Montana 59601

SEP 27 1980  
MONTANA LEGISLATIVE AUDITOR

Dear Mr. Brussett:

SUBJECT: State of Montana, Butte Vocational Technical Center, Report On  
Examination of Financial Statements, Fiscal Year ended June 30,  
1979.

1. The Board of Trustees, District Administration, Butte Vocational  
Technical Center Administration and the Center Support Staff of School  
District No. 1, reviewed with interest the above subject report.

2. Many of the problems addressed in the report have already been  
taken care of, as verbally indicated during your office's on-site visitation  
to the Butte Vo-Tech Center and others are in the process of being resolved.

3. Attached responses to the Legislative Auditor's recommendations  
are respectfully submitted and forwarded by School District No. 1.

Sincerely,

Marko Lucich, Chairman  
Board of Trustees  
School District No. 1

RESPONSE

BUTTE VOCATIONAL TECHNICAL CENTER AUDIT

FOR YEAR ENDING JUNE 30, 1979

Recommendation #1

We recommend that the Center:

- (A) Report total operating costs in the Center's financial statements.
- (B) Include the Revenues and Expenditures from all programs in its budget.

Response: School District No. 1

(A) Concur partially with recommendation

The book and supply fund, which is a revolving fund, and student aid program funds have been placed on SBAS in accordance with H.B. 927 of the 47th Legislature.

The Vo-Tech Trade Fair fund has been exhausted and no longer exists.

The traffic education fund as indicated under, "Summary of Significant Accounting Policies", page 37 of report, is financed by the Adult Education Program which is under the jurisdiction of School District No. 1, not the Butte Vo-Tech Center.

Services provided by the District as listed on page 39 of report in such areas as maintenance and operation, garbage pickup services, utilization of district plant at no rental cost to postsecondary, warehouse storage services, would be deleted from the District with the construction of a new postsecondary facility in Butte Silver Bow. Further, section 20-7-327, MCA, page 248, School Laws of Montana, 1979, sets a limitation of state funds because the Legislature appropriates the number of state funds to be allocated to a Center under "Operation" portion of the Fund 21 budget; however, the law does not restrict the amount of funds that can be expended by a local district on a center.

Areas such as payroll accounting, general accounting, computer services, personnel services accounting, negotiations of contracts, school carpenter services, warehouse services, other District personnel services (1) Superintendent, Business Manager, Federal Programs Director, Nursing Services, Health

Insurance, conduct bidding for Vo-Tech projects, school painter services and school glass services should continue since the Butte Vo-Tech Center, under H.B. 634 of the 47 Legislature, is now under local control and should receive services rendered to all schools of School District No. 1. Materials cost to complete any service rendered by the District are provided for by Fund 21. District maintains wages and benefits.

Reported \$53,900 indirect/direct services to the operation/maintenance of the Center were stated by the District at the request of state agencies.

Services provided by the District to the Center cannot be tied to the 1.25 millage appropriated for operation of the Center.

(B) Concur partially with recommendation

Funds outside of Fund 21 such as: Vocational Technical Center Scholarship Fund, petty cash fund (including Fund 21) have been placed on SBAS as of July 1, 1980 with the exception of Student Council funds, Student Council Scholarship fund, VICA fund and OEA fund. Permission has been granted by OPI, July 10, 1980, to allow handling of these funds by each student organization with checking accounts at local banks. An accountability procedure will be set up by each organization for check and balance purposes as well as a system for recording approved expenditures.

Recommendation #2

We recommend that the School District:

Pay compensation promptly in compliance with section 39-3-204, MCA.

Response: School District No. 1

Concur with recommendation. District has initiated plans to go on an "after the fact basis". District plans to revamp both payroll and time procedures. Employees have not registered any complaints concerning existing District practices.

Recommendation #3

We recommend that the Center:

Properly allocate costs to budget catagories.

Response: School District No. 1

Concur with recommendation



Counselor in question was placed under Instruction .52 FTE at a salary of \$12,330 as a program counselor and .50 FTE under Multi-Media at a salary of \$11,612, as a Multi-Media Officer in the FY '80 budget. Since the Legislative Audit for year ending June 30, 1979, the Counselor has been placed in Student Services as an FTE and his salary allocated 100 percent to Student Services as a counselor in the FY '81, FY '82 and FY '83 budgets.

#### Recommendation #4

We recommend that the Center:

Require each instructor to hold a valid Montana Teaching certificate endorsed for vocational education.

Response: School District No. 1

Concur with recommendation

This has been corrected in accordance with School District No. 1 Policy and Procedure Manual for substitute teachers..."that all substitute teachers employed shall hold a valid Montana teaching certificate", and Agreement between the Board of Trustees of School District No. 1, Silver Bow County, Montana and the Butte Teachers' Union, Local 332, covering teachers of School District No. 1, article 27, Substitutes, section 1, "No person shall be employed as a substitute who does not have the necessary qualifications, and whose name does not appear on the eligible lists while there remains on such lists the name of any person who is fully qualified and who is able and willing to take such substitute position." Substitute in question was not a permanent substitute but a regular substitute in accordance with article 27, Substitutes, section 3, of the Teachers' Union Agreement..."Regular Substitute: Regular substitute teachers... are assigned to teaching vacancies that will be eventually filled by the original assignee or a regular contracted teacher." In question substitute was employed for the duration of the 47th Legislative session and was eligible as a regular substitute due to criteria to receive class 4C (Temporary) certificate..."high school graduate or GED certificate, shall have at least a minimum of 2,000 hours of work experience, plan of professional intent leading to 4B certificate, issued for 5 years and is not renewable." In question substitute was a high school graduate, worked 5 years for the Montana Power in accounting, had a plan of intent for certification purposes with WMC and completed and received her certification January, 1979.

The problem occurred when the Director, in accordance with School District No. 1 policy, did not direct the in question substitute to apply for a class 4C (Temporary) certificate due to the response of the State Director/Administrator of Voca-

tional Education. The Director further requested (by phone) clarification of what certification or qualifications must a substitute teacher possess in order to sub at the postsecondary level? The response by the by the Director/Administrator of Vocational Education, OPI, was "None" is required.

Second exception filed all credentials with the State of Montana certification office but never received any response. Upon refileing of credentials has received a valid Montana teaching certificate.

The Director further submits a recent article from the Montana Standard, 7/26/80, on sex discrimination wherein the District Judge upheld the ruling of the Montana Human Rights Commission ... "that a job requirement asking for some vocational education training for a library position at the Butte Vo-Tech Center discriminated against women".

The position title was: Instructional Resource Librarian. Under Education and Experience Requirements it requested 5 years teaching experience (including adult education training), class II teaching certificate with vocational endorsement.

The District respectfully requests clarification in recommendation #4, Montana Teaching Certificate endorsement in Vocational Education.

#### Recommendation #5

We recommend that the District:

Implement leave policies in accordance with state statutes.

Response: School District No. 1

Concur with recommendation

As of July 1, 1978, Labor Agreements with all District employees have inserted into the contracts provisions of the law for vacation and sick leave.

In reference to Labor Agreements concerning vacation and sick leave a County Attorney's opinion was sought by School District No. 1 as to the language in each Union's contract being in compliance with the Laws of Montana. The County Attorney's opinion upheld that the language of each contract should be in compliance with the opinions written by Attorneys General's Woodhal and Greely and the State Laws of Montana. The Clerical Union requested a judicial review by the District Court concerning the County Attorney's opinion but withdrew its request.

The reference to personal leave of which all Labor Agreements

KATHLEEN BARRON, no address listed, has won a discrimination suit against the Butte school district.

An order awarding Barron \$9,377 was filed Friday by District Judge Arnold Olsen. He affirmed a June 20 ruling by the Montana Human Rights Commission.

The commission ruled that a job requirement asking for some vocational education training for a librarian position at the Butte Vo-Tech center discriminated against women.

The commission also ruled that the school district failed to prove vocational training was required for the library position.

Barron applied for the post in the fall of 1976. It was awarded to John Giop. The position was eliminated in May 1977, and Barron found full-time employment in June 1977.

The amount awarded included 10-percent interest from July 1, 1979, when the suit was filed.

The Montana Standard

Saturday, July 26, 1980

have provisions for, in all instances, personal leave taken is charged to sick leave. The rank and file members of the Union have agreed to this provision over the years and whereas both sick leave and vacation have accrual rates, whether personal leave is charged against vacation or sick leave is immaterial. Vacation and sick leave are rights that each employee has earned under the law. How the employee utilizes it is their own personal right by negotiation.

#### Recommendation #6

We recommend that the Center:

Promptly deposit all receipts.

Response: School District No. 1

Concur with recommendation

Provisions have been made on SBAS to deposit receipts in the previous FY and count the monies in the ensuing FY. (Example: collect money for summer session in June, 1980, FY '80 and deposit it but count it in July, 1980, FY '81)

In the past, if the above example occurred the money was counted in the previous FY, which in essence increased that budget collection of student tuition but decreased the ensuing FY's collection of student tuition. Center is complying with recommendation at this time.

#### Recommendation #7

We recommend that the Center:

Calculate student hours in accordance with OPI policy.

Response: School District No. 1

Concur with recommendation

Students of the Butte Vo-Tech Center will be counted hourly by each instructor and be turned into the Main Office at the end of each day to be placed on the District computer.

This count will be calculated weekly and on the twelfth day with a summation of the report sent to OPI at the end of each quarter.

Under "Definition of Terms" of the State of Montana Superintendent of Public Instruction Vocational Policies and Procedures, Chapter 41, General Rules, Sub-Chapter 1, 7/1/80, ii(a),



"Full time equivalent for student- two hundred and fifty (250) classroom contact hours per quarter and seven hundred and fifty (750) classroom contact hours per year."

A communication dated June 16, 1980, from Dr. Larry Key, Director/Administrator of Vocational Education, OPI, re: Postsecondary Program Standardization stated: "That if we are to continue the program standardization process, we must start with some common or given factors..."

#### 1. Program Contact Hours

(a) Following along with the standard calendar and length of programs, we arrive at the following number of contact hours per program:

- (1) A three (3) quarter (one year) program will have  $(57 \text{ I.D.} \times 3 \text{ qtrs.} = 171 \text{ I.D.} \times 6 \text{ hrs.} - 1026)$  contact hours.
- (2) A six (6) quarter (two year) program will have  $(57 \text{ I.D.} \times 6 \text{ qtrs.} = 342 \text{ I.D.} \times 6 \text{ hrs.} - 2052)$  contact hours.
- (3) The formula is the same if you include summer quarter  $(54 \text{ I.D.} \times 6 \text{ hrs.} - 324)$  contact hours.

It is understood that variances from these common factors are possible with my approval and that any variances allowed must be adopted by the other Centers who offer the same programs.

The communication dated June 16, 1980, is based on six (6) hours of contact per day, whereas the agreement with the 5 Centers, as noted, is based on five (5) hours of contact per day resulting in a conflict of interest and needs further clarification.

#### Recommendation #8

We recommend that the Center

Comply with 20-6-604, MCA, relating to the sale of personal property.

Response: School District No. 1

Concur with the recommendation

The District is fully aware of requirements of the law in regard to disposal of property. Small items such as "junk" which

are sold to recycling centers or items of a value of less than \$1,000 would not financially benefit the District. Complying with 20-6-604, MCA, would eliminate any District profit. It would then be best for the District to haul "junk" to the land-fill dump and dispose of it in that manner.

A policy within state guidelines will be developed by the School District for consideration and approval by the local Board of Trustees.

The scrap metal fund in question has been eliminated due to limited availability of iron from the Anaconda Company. Presently, scrap metal received from local scrap yards used in welding classes is returned to same at no profit.

#### Recommendation #9

We recommend that the Center:

Institute review procedures to ensure that financial reports submitted to the OPI are accurate.

Response: School District No. 1

Concur with recommendation

District recognizes that accurate financial records of the post-secondary operation should be accurately reported. District will review its existing procedure for verifying.

#### Recommendation #10

We recommend that the School District:

- (A) Implement a time recording system that will adequately support payroll amount.
- (B) Maintain employee authorizations for payroll deductions on a current basis.
- (C) Record sick leave accurately.

Response: School District No. 1

Concur with recommendation

The District is presently in the process of reviewing its personnel procedures which include item (A), (B), and (C).

#### Recommendation #11



We recommend that the Center:

Implement procedures to correct the problems described above.

Response: School District No. 1

- (A) Student Council, Student Council Scholarship, OEA and VICA monies be collected and deposited by the Secretary I in the main office; secretary II, main office, will sign checks with Student Council Advisor. Also, a system devised by each student organization to properly document and justify accounts will be instituted.
- (B) Chief engineer will inventory and tag all equipment in the Butte Vo-Tech Center. The toolroom aide will receive the equipment.
- (C) Secretary II, main office, will inventory all books and supplies. Secretary I will order and receive books and supplies.
- (D) Donated equipment will be properly recorded on the Center's inventory and tagged by the Chief engineer.
- (E) Chief engineer will be informed by staff of all missing items when noted and in writing will notify management.
- (F) Butte Vo-Tech Center will develop a policy for disposal of obsolete or damaged items to be considered by the Superintendent of Schools for local Board approval. After approval of the policy by the Board of Trustees, items will be properly disposed of and deleted from records.

## RESPONSE

### BUTTE VOCATIONAL TECHNICAL CENTER FINANCIAL/COMPLIANCE AUDIT OF BASIC EDUCATIONAL OPPORTUNITY GRANT PROGRAM FY ENDING JUNE 30, 1978 AND JUNE 30, 1979

#### Findings and Recommendations

##### A. Excess Funds Available Over Authorization

###### Recommendation

We recommend that the Center consider the beginning fund balance when estimating BEOG case needs for the next period.

###### Response

This is now being done.

##### B. Written Procedures for the BEOG Program

###### Recommendation

We recommend that the Center document internal control procedures and update the Financial Aid Handbook on a timely basis.

###### Response

The Financial Aid Handbook will be updated during the 80-81 school year.

#### Internal Accounting and Administrative Controls and Compliance

##### Findings and Recommendations - Internal Accounting and Administrative Controls and Compliance

##### A. Affidavit of Education Purpose Regulations

###### Recommendation

We recommend that the Center require each student to sign an affidavit of educational purpose and this document be placed in the student's BEOG file.

###### Response

In the past, these affidavits were kept together in a file; we will now keep them in the individual files.

B. Overpayments of Basic Grants

Recommendation

1. Determine if a student owes money to a grant program prior to disbursing a new grant award.
2. Document its refund policy.

Response

This will be adhered to.

C. Self Evaluation

Recommendation

We recommend that the Center make periodic self-evaluations of the BEOG Program and that proper follow-up be made in areas of weakness.

Response

Periodic self-evaluations are being done by the aid office staff and in the future will be noted.

Prior Audit Reports on the BEOG Program

Recommendation

We recommend that the Center obtain periodic audits of the BEOG Program.

Response

This is now being complied with.



OFFICE OF PUBLIC INSTRUCTION

STATE CAPITOL  
HELENA, MONTANA 59601  
(406) 449-3095

Georgia Rice  
Superintendent

October 2, 1980

RECEIVED

MONTANA LEGISLATIVE AUDITOR

Morris L. Brusett  
Legislative Auditor  
Room 35, State Capitol  
Helena, Montana 59601

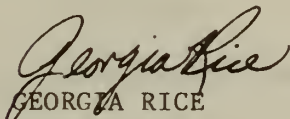
Dear Mr. Brusett:

Thank you for the opportunity to comment on the Butte Vocational-Technical Center audit recently conducted by your office. I have been informed by my staff, and the Center personnel, that the audit was conducted in a very professional, very competent manner. Your staff is to be complimented on this ability to comprehend the Center's operations in such a short period of time.

By way of general comment and, as you mention in the audit report, a great many of the problems noted have already been resolved through implementation of SBAS. Several others will be appropriately addressed in the Postsecondary Vocational-Technical Center Operational Procedures Manual currently under development.

As the governing agent of the vocational centers, we have responded to the specific recommendations of the audit on the attached enclosure. Should you need clarification or further response, please do not hesitate to contact my office.

Sincerely,

  
GEORGIA RICE  
Superintendent

hd

attachment

cc: Larry Johnson  
Larry Key  
Harry Freebourn  
Bill Milligan

BUTTE VOCATIONAL-TECHNICAL CENTER AUDIT  
OFFICE OF PUBLIC INSTRUCTION RESPONSE  
TO AUDIT RECOMMENDATIONS

RECOMMENDATION #1:

- A. Report total operating cost in the Center's financial statements.
- B. Include the revenues and expenditures from all programs in its budget.

RESPONSE:

The Office of Public Instruction concurs with the recommendation and has required all funds under the jurisdiction of the centers to be reported on SBAS. It should be noted, however, that many services (snow removal, legal work, etc.) will probably still be provided gratis by the local district and reflected as an expenditure of the school district and not the Center.

RECOMMENDATION #2:

We recommend that the school district pay compensation promptly in accordance with Section 39-3-204, MCA.

RESPONSE:

The Office of Public Instruction concurs with the recommendation.

RECOMMENDATION #3:

We recommend that the Center properly allocate cost to budget categories.

RESPONSE:

The Office of Public Instruction concurs with the recommendations. The Postsecondary Vocational-Technical Center Operational Procedures Manual under development by OPI will address this issue.



RECOMMENDATION #4:

We recommend that the Center require each instructor to hold a valid Montana teaching certificate endorsed for vocational education.

RESPONSE:

The Office of Public Instruction concurs in the recommendation and will address the item in the Postsecondary Center Operations Manual under development.

RECOMMENDATION #5:

We recommend that the school district implement policies in accordance with state statutes.

RESPONSE:

The Office of Public Instruction concurs in the recommendation.

RECOMMENDATION #6:

We recommend that the Center promptly deposit all receipts.

RESPONSE:

The Office of Public Instruction concurs in the recommendation.

RECOMMENDATION #7:

We recommend that the Center calculate student hours in accordance with Office of Public Instruction policy.

RESPONSE:

The Office of Public Instruction concurs in the recommendation.

RECOMMENDATION #8:

We recommend that the Center comply with Section 20-6-604, MCA, relating to the sale of personal property.

RESPONSE:

The Office of Public Instruction concurs in the recommendation.



RECOMMENDATION #9:

We recommend that the Center institute review procedures to ensure that financial reports submitted to the Office of Public Instruction are accurate.

RESPONSE:

The Office of Public Instruction concurs in the recommendation.

RECOMMENDATION #10:

We recommend that the school district:

- A. Implement a time recording system that will adequately support payroll amounts;
- B. Maintain employee authorizations for payroll deductions on a current basis;
- C. Record sick leave accurately.

RESPONSE:

The Office of Public Instruction concurs in the recommendation.

RECOMMENDATION #11:

We recommend that the Center implement procedures to correct the problems described above: segregation of duties for internal control; formalize reconciliation of student activity accounts; update plant, property and equipment records.

RESPONSE:

The Office of Public Instruction concurs in the recommendation.

APPENDIX A

Butte Vocational-Technical Center Financial/Compliance Audit of  
Basic Educational Opportunity Grant Program

RESPONSE:

The Office of Public Instruction concurs in all recommendations of

the Basic Educational Opportunity Grant program audit.





